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# How competitive is South Africa ? Advances and challenges in the transformation of the Cape wine industry

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# *How competitive is South Africa ? Advances and challenges in the transformation of the Cape wine industry*

Joachim Ewert

1 Today South Africa is the world's fifth largest producer of wine. It exports around 240 million litres a year – up from 23 million litres in 1991. Most of this goes to Europe. Here the most important wine market is the United Kingdom (UK) where it has been able to win a market share of 10 % - not insignificant if one considers that it had virtually nothing twelve years ago. At home the number of wine cellars have grown from some 180 in the mid-1990s to 428 in 2004. The Cape wine lands draw 43 % of all tourists to South Africa. All in all the industAry supports some 250 000 livelihoods (fig. 1).

2 On the surface this looks good and suggests a buoyant industry on the up. The performance is even more remarkable if one keeps in mind that over the last ten to fifteen years farmers etc. had to face up to changes that, taken together, amounted to nothing less than a 'shock to the system'. These are : firstly, the process of local industry deregulation and restructuring ; secondly, the increasing integration of the local industry into international markets and value chains ; and thirdly, the legislative changes that have accompanied democracy in South Africa.

3 These transitions, it will be argued, have had complex effects. On the one hand, the industry has seen lateral expansion and an impressive, sustained rise of exports. On the other hand, many co-operative wine cellars and their members have found it very difficult to re-gear themselves away from the industry's historic orientation towards bulk wine production, and to face up to the 'quality revolution' and the demands of supermarket wine retailers.

4 So, there is a substantial number of co-op cellars who find it very difficult to gain entry into overseas markets and become internationally competitive – this despite the fact that

a ‘wine cluster’ has been in existence in South Africa for a long time. However, as Michael Porter points out, it is not the existence of a cluster per se that makes for competitiveness, but the nature of the cluster [1]. In the case of South Africa, it will be argued, it is decades of regulation and government protection, plus isolation from international markets that caught many co-operatives flat-footed when the transition set in. With no subsidies or the like from the new state, new industry institutions have been established to facilitate and steer the change process, trying to save those that in danger of going under. Whether they will succeed is by no means clear at this stage. In a few years from now the South African wine industry may find itself to be more competitive, but also more ‘lean’ than today. So while there may be more ‘winners’ there will also be more ‘losers’.

5 One of the most noticeable features of the South African wine industry between 1917 and the mid-1990s was its elaborate regulatory system, presided over by the Kooperatiewe Wijnbouwers Vereniging van Zuid-Afrika Bpkt (KWV) [2]. Planting quotas, minimum prices and mechanisms of ‘surplus removal’ decisively shaped the dominant features of the South African wine industry for the greater part of the 20 th century (Ewert, 2003).

6 At the level of primary production an important part was played by the co-operative cellars, which came to dominate wine production. Most of these implemented a ‘pool system’ in terms of which grapes of a particular cultivar were sold in bulk, with farmers being paid according to the number of tons delivered and the selling price realised for the pool as a whole. An important objective of every co-operative was to realise the highest possible financial return (‘payouts’) for its members. Co-ops were also linked closely to the networks of white power in the rural Western Cape. Rural civil society in the farming areas of the Western Cape was dominated by the white landed settler elite. Formal institutions such as the National Party and the Broederbond obviously played a key role ; but as important were the informal networks of filiation and affiliation between key settler families – and the way these networks allowed political control of agro-institutions [3].

7 From early on this system was marked by a high degree of downstream concentration and integration. Farmers and their co-operatives sold most of their wine in bulk to the KWV and other producing wholesalers. Although they were guaranteed a minimum price, periodic surplus production and a limited domestic market continued to favour the wholesalers well into the 1990s. In addition, the distilling industry – buoyed by South Africa’s distinctive brandy market - played an unusually important role. Not only did it help with the removal of surplus wine, but the producing wholesalers on whom co-operatives so heavily depended came to see distilling as the place where the real money was to be made : one author described the South African wine industry as ‘...a vast distillery draining a partly subsidised annual wine lake. (Robinson, 1999, p. 648).

8 Though these features institutionalised the power and interests of the settler elite, it also had very important consequences for the development of the core of the industry. It encouraged the development of a mass production regime that rewarded those who could deliver high volumes of low quality grapes with high sugar levels. Grape growers, protected by their co-ops’ duty to buy whatever members produced, concentrated on getting their tons per hectare high. ‘Quality’ had not yet become the hegemonic concept it was to become in the 1990s, and concepts like ‘terroir’ ‘super blocks’ (of vineyards), ‘canopy control’ etc. were not part of the co-op discourse before the 1990s. Wine makers and co-operative staff were not required to develop special skills regarding marketing.

Furthermore, with capital expenditure having to be funded out of lower payouts for members (co-ops were prohibited by law from sourcing equity on the capital market), essential improvements like replacing crushers and filters and adding tanks for the purpose of differentiated quality production were left to languish. In any event, with little domestic demand for quality wines and with the KWV's statutory monopoly barring local producers from international markets, few saw any need for change.

9 As important as the sector's orientation towards bulk wine production was its dependency on cheap black labour. Until the 1980s, labour arrangements on South African wine farms were characterized by a racially hierarchical and authoritarian paternalism inherited and adapted from early Cape slave society (Crais, 1992 ; Scully, 1992 ; Dooling, 1992 ; Du Toit, 1998 ; Ewert et Hamman). Farming styles in the Western Cape and beyond were shaped by the expectations of the white settler elite that controlled most of commercial farming and the values of patriarchal white mastery that was such an important part of this elite's cultural framework. In its simplest form this involved a close link between white identity, land ownership, and a fierce insistence on the farmer's independence and final authority over all who lived and worked on the land. Generations of colonial settlement, slavery and racial domination have knitted these concepts deeply into the social construction of white and black identities. To be a white farmer has been, for at least three hundred years, to be a 'master' defined not only by the ownership of a farm but also by the relationships of deference and authority that exist between farm owner and farm servant (Ross, 1983, 1986 ; Crais, 1992 ; Marincowitz, 1985 ; Scully, 1992).

10 The relationships between farm owners and workers have not been simply exploitative, but were shaped by the discourses of paternalism. The notion of themselves as benevolent but firm protectors and disciplinarians of a grateful and appreciative population of on-farm servants has been an important part of the self-conception of farmers in the Western Cape and elsewhere in South Africa since the 18 th century. Ultimately, however, it was a hierarchical relationship, marginalizing and silencing the voices of those whose labour helped create the wealth of the sector. (Du Toit, 1998).

11 Neither has paternalism persisted unchanged since the end of slavery. Rather, its survival has been a matter of mutation and adaptation in the midst of capitalist modernisation (Du Toit, 1983, 1998, 2002). In the 1980s this process of modernisation gained particular impetus through 'reform from above' - initiatives launched from within the industry itself and spearheaded by the 'Rural Foundation' (RF). A brainchild of key figures in the farming community of Stellenbosch, the RF embarked on an extensive- but still thoroughly paternalist - program of 'upliftment' of farm workers and their families, initially rooted in the Western Cape, but gradually spreading to other parts of the country (Mayson, 1990). Funded as a rural welfare and social development initiative by the apartheid government, conservative overseas donors and farmers themselves, its programmes addressed alcoholism and other forms of 'social pathology' on the farm. 'Community' or 'liaison committees' consisting of worker representatives served as the main vehicle towards this end. The Foundation appealed to farmers to train workers in a more systematic fashion and to 'improve' labour relations. Formal contracts were drawn up and 'farm rules' were formalised, sometimes accompanied by the introduction of grievance and disciplinary procedures. Farmers were also encouraged to improve amenities for workers. This often went far beyond housing : in the late 1980s, the typical RF member farm would have a 'community hall' or 'TV room' for workers, crèches for

farm worker children and even sports fields. In all these efforts the RF was assisted by the KWV, the National Productivity Institute (NPI) and the Western Cape Agricultural Union. The initiative neatly highlighted the overarching objectives of the new approach to farm labour : 'upliftment' would not only reduce social costs, but also improve productivity and the poor image of the industry in the face of looming sanctions (Mayson, 1990).

12 In the event, the efforts of the RF did not succeed in staving off sanctions. Neither did it succeed in creating the committed, contented workers its proponents hoped for. Part of the reason is that the reforms themselves were hopelessly compromised. Like the broader racial order itself, the racialized power relations of white mastery were never up for debate : at most, the Rural Foundation tried to regularise and modernise them. This in itself produced new problems. Worker empowerment was always limited and provisional – and so, by the same token, was the degree of assent the new forms of management could command. Rather than create a new kind of wine farm worker - motivated, skilled and content - the reforms created a new layer of black supervisors, insecure in their power and caught uncomfortably between the resentment of rank and file workers and the demands of farm management (Du Toit, 1998). These reforms, far from transforming on-farm practice created at most a kind of 'neo-paternalism (Ewert et Hamman) – a hybrid formation in which elements of modern and paternalist farm management existed, sometimes uncomfortably, side by side.

13 In the long run, the Rural Foundation's attempt to bring paternalism into the twenty-first century faltered. With the transition to democracy the site and stakes of the political game altered. The project of preserving-by-sanitising the racial order of the paternalist farm was marginalised by the democratic transition and its promises of land reform, agricultural restructuring, democratisation and the decisive expansion of labour law, and the new government was in any case not interested in continuing to support an institution it saw as a product of Apartheid reformism (Pers Comm., Herman Bailey, 2003-11-27.) Facing termination of its funding, the Rural Foundation tried to reposition itself as a role player in land reform and rural development and eventually renamed itself the 'Centre for Integrated Rural Development' ; in the process, however, it lost much of its support among white farmers. The network of community organisations, crèches and liaison committees it had brought into being mostly withered on the vine. They limp on in only a few districts, kept alive by the efforts of progressive farmers·

14 Regulation in the South African wine industry lasted from 1918 to 1995. The lynchpin of the system was the KWV established in 1918. After numerous protestations to government in the 1910s, the latter eventually gave in to grape growers' demands for a regulatory system in order to prevent the destabilising effects of periodic surpluses. Armed with statutory powers the KWV not only set planting quotas for each and every grower, but was also charged with 'surplus removal' against a guaranteed minimum price per ton of grapes. Until 1993, the KWV was also the sole exporter of South African wine. In the latter half of the century a cosy relationship developed between the wine farming lobby of the Cape and the ruling National Party in which votes were traded for elaborate regulation and protection. Although the latter never included direct subsidies, farmers benefited from financial loans with interest rates below market price. The authoritarian racial state also saw to it that rightless farm labour was kept in check and cheap.

15 The first step towards deregulation of the wine industry was taken in 1989. This came in the wake of deregulation in agriculture in general which had already begun in the mid-1980s. Deregulation in the wine industry itself started with the abolition of the quota

system and culminated in the removal of the minimum price in the mid-1990s. With the termination of trade sanctions against South African and the opening of external markets in 1993, the need for a minimum price effectively fell away. Since then the centre of gravity in the industry has effectively shifted away from the KWV to processors and marketers on the downstream side of the value chain. In 1998 the KWV itself converted into a company.

16 While the private cellars generally welcomed deregulation, the shock this represented to many a co-op farmer cannot be underestimated. Not only had they lost the political kingdom and direct access to the state, but also their whole wine industry comfort zone, including cheap loans, cheap labour and a guaranteed income. Not only did workers now have the vote and labour rights, but there were no longer any automatic takers for their wine. For the first time farmers and cellar management had to actively market and sell their wine themselves. No wonder that even in the late 1990s many co-op farmers thought back to the days of regulation with nostalgia.

17 When sanctions were lifted and worlds markets opened themselves up to South African wine farmers (in 1993), the reaction was mixed. On the one hand a wealth of opportunities presented themselves, but on the other farmers literally entered terra incognito. Most co-op managers knew nothing about marketing, branding, supply chains or where to pitch the price of their wines. Having awoken from a long sleep like Rip van Winkel, they knew nothing about international wine markets or the trends at work.

18 Given its history, the industry came face to face with enormous challenges in the early 1990s. These challenges need to be very clearly understood. Today it is a truism in the South African wine industry that ‘the future’ lies in re-orienting production away from bulk wine and developing the ability to produce for the quality market (Spies, 2001). Like most truisms, it is in equal parts fundamentally correct and seriously oversimplified. Wine is never just wine, grapes are never just grapes, and the implications of ‘the demand for quality’ differ from context to context. The global alcoholic beverage market is fragmented and complex and the markets for South African wines and wine grapes are no exception.

19 Three linked trends in the international alcoholic beverage market and its commodity systems have played a particularly important role. Firstly the global beverage industry has increasingly come under pressure, partly because of the global economic downturn and partly because of increasing health concerns among consumers. Secondly, the wine market has been increasingly affected by the growth of supermarket wine retailers, which have fundamentally changed the way in which wine is consumed and marketed. This is closely linked to the third trend, which is the increasing prominence in the premium and super premium [4] wine market of branded wines promising to deliver not only quality but also consistency.

20 Together, these trends have meant that wine markets have been characterised by increasingly divergent price trends. Low-priced blended table wines have poor prospects in a world where consumption has fallen by a quarter since 1982. In France and Italy – the bastions of working class wine drinking - consumption has halved in the past thirty years. At the same time there is a global trend towards buying better-quality wines (Rachman, 1999). While wine sales at lower price points have remained stagnant, higher price points have shown buoyant growth. At the turn of the new century the most lucrative price bracket was at over 4 pounds sterling in Britain and $ 7 in the USA. In the latter market, wines selling at more than $ 7 account for only 22 % of sales by volume, but almost 50 % of

revenues. As The Economist put it in a recent survey of the international wine industry : '... [The message is clear : the best place is at the upper end of the market, where growth is fastest and margins are fattest] (Rachman, 1999).

21 The most important international wine market is Western Europe, where 70 % of the world's wines are still made and consumed. Within this region, Britain is particularly important for premium wine exporters. Unlike the parochial market of France, where imports command less than 5 % of premium wine consumption, Britain is the fourth largest wine market and world's biggest importer of wine – and supermarket retailers are particularly prominent here. Supermarkets distribute over 60 % of all wine consumed in the UK [5]. The main beneficiary of this trend has been Australia, which has pioneered the industrialisation of premium branded wine production ; while France has traditionally had the biggest share of the British market, Australia's share of the UK wine market has risen from 8 % to 15 % between 1993 and 1999, while 7 of the top selling wine brands in the UK in 2001 were Australian.

22 South African wines have also made important inroads into this market. After the lifting of sanctions, exports increased by 1 000 % between 1994 and 1997, although this was from a very low base (Ewert et al., 1998). In 2002 South Africa was the fastest growing wine country in the UK. It held its market share in the UK in 2003 - despite ferocious price cutting from Australia and California (Wineland, March 2004, p. 29). For the first time the country had a brand listed in the top five wines retailed in the UK with 'Kumala' at number four [6]. Also for the first time South African wine averaged a price of five Pounds per bottle. In 2004 market share stood at just over 10 %.

23 This growth has contradictory implications for wine makers. The most important buyers of South African in Britain are Britain's eight big supermarket chains. To land a sales contract with one of them is a much sought after prize in the Western Cape wine lands (especially for co-operative cellars). But while these new markets mean new opportunities, they also mean tougher bargaining. Supermarkets have stringent purchasing practices. They impose strict phytosanitary and technical requirements on suppliers and – through projects like the Ethical Training Initiative - are increasingly looking to impose ethical requirements as well (Du Toit, 2002). Those who cannot conform to these threshold requirements risk being left out of this market altogether.

24 So, although South African growers and cellars are starting to learn the rules of the 'new competition' life is not going to get easier. Many co-op cellars struggle to sell their wine and are heavily indebted. In this scenario, competition between wine-producing countries and between individual producers is bound to intensify. Much will depend on the ability to establish 'branded' wines that stand out from the rest. This requires not only the ability to make good wine, but also the ability to deliver consistency and volume at the same time. To build a brand in the UK, for instance, requires the ability to bring 3 to 6 million litres to the market per year, and to support it through strong advertising and an efficient logistical supply operation (Loubser, 2001, p. 36).

25 These trends are particularly significant given that the most important growth opportunities for South African wine remain in these overseas markets. In the context of the South African beverage industry as a whole, wine has done relatively well and the market for table wines and lower end premium wines blended in bulk has remained healthy (Alcoholic Beverage Review, 2002). These markets, however, show scant opportunity for growth. And, more to the point, there is very little money in them for

grape growers. Bulk wines, after all, can now be sourced internationally, and even South African stalwarts such as 'Tassenberg' include wine made from Argentinean grapes.

26 Survival is not made any easier by the fact that globalisation is a two-way street. In 2002 South Africa imported approximately 31 million litres of 'natural wine' compared to approximately 216 million litres of exports (SAWIS, 2003, p. 26). While most imported premium wine remains unaffordable for all but the wealthiest section of South African society, it is the import of bulk blending and distilling wine that is impacting the most on South African co-operative wineries, many of whom came to rely on the product for the greater part of their existence. As a result, these growers and cellars were often poorly prepared for the new environment to which they awoke in the mid-1990s. At that stage, less than 20 % of South Africa's good wine production qualified for the "HP" price category. Also, the industry had become almost exclusively oriented towards the domestic market. Having neither the know-how, nor the confidence to compete in Europe on a big scale, the industry found it difficult to venture into foreign domains. This is especially true for the co-operative sector.

27 The third important dimension of change relates to national democratisation. Again, the periodization of this shift is complex. Moves to bring farm workers into the fold of modern industrial relations started well before 1994, but the coming into power of an African National Congress (ANC) government deepened and accelerated these trends. A veritable slew of legislation was passed, providing for a wide range of labour, social and land rights, ranging from basic conditions of labour in 1993 to the promulgation of minimum wages in 2003 [7]. A paternalist state has stepped in to push back the paternalist authority of the farmer, and has created new limits to farmers' control over workers' lives.[8] These changes seriously challenge the legal and formal underpinnings of traditional farm paternalism.

28 But challenging paternalism is not the same as replacing it. There is considerable evidence that many farmers are reluctant to comply with labour legislation, if not downright hostile to it (Kleinbooi et Hall, 2001). Most farmers may comply with the main provisions of the Basic Conditions of Employment Act (BCEA) (e.g. hours of work, leave and holiday provisions), but there is widespread reluctance to implement the Unemployment Insurance Fund (UIF), the Employment Equity Act (EEA), and the Skills Development Act (SDA) (Sunde et Kleinbooi, 1999), and it remains to be seen whether enforcement of minimum wages is going to be any better than over the last ten years. Weaknesses in the legislation[9], a small inspectorate, huge caseloads and a shortage of Commission for Conciliation, Mediation and Arbitration (CCMA) commissioners compound the problem.

29 Thus, though labour law has significantly disrupted the institutional order of paternalist labour management, it has not decisively transformed it. The state is far away and lacks the ability to enforce its own laws. Farm workers find that insisting on their rights can be a dangerous strategy, and know that maintaining patronage relationships may be as important. The result on the ground is a complex palimpsest in which labour relationships are simultaneously governed both by the formal codes of legislation and by the personal relationships and implicit contracts of paternalist practices (Flensted-Jensen, 2002).

30 In addition, farmers are changing the nature of the battleground. Though labour law has curtailed their power, they have retained the ability to restructure their business on their

own terms. This results in trends that could make labour law irrelevant in important sectors – and that pose important challenges to traditional forms of worker organisation. [10]

31 How growers are affected by these changes depends partly on how they are located within the agro-commodity system. Not everyone is well positioned to take advantage of the growing market for premium and export wines. One important obstacle is geography : generally speaking, wine grape farmers in the hotter regions face serious disadvantages in trying to break into the quality market. A second factor is the historical bias in existing plantings toward high yielding cultivars unsuitable for the production of quality wines.

32 The latter has been changing. Between 1990 and 1997, the absolute area under wine grapes expanded at an annual rate of 1 %, while the gross tons produced increased by 2 % per annum over the same period (Ewert et al, 1998, p. 25). In 2002 the total area under vines amounted to 107 998 hectares and the total tonnage pressed to 1 079 875 (Pers. Comm., Gerard Martin, SAWIS, 3 October 2003). Most of the new plantings involved the so-called 'noble' varieties, i.e. Cabernet Sauvignon, Merlot, Pinotage, Shiraz, Sauvignon Blanc and Chardonnay. In 2002, noble cultivars represented 40,5 % [11] of all plantings, compared to only 13.8 % in 1991. In 2002 wine processed from the six noble varieties represented 25 % of all 'natural wine' exports (Pers. Comm. Gerard Martin, SAWIS, 3 October 2003)

33 Red wine production increased from 10.9 % of all grapes pressed in 1992 to 21 % in 2002. In 2004 40 % of all vineyards were planted under red grapes, compared to 15 % in 1991 (The Platter Wine Guide, 2005, p. 6)

34 Although standard cultivars like Chenin Blanc and Colombar continue to dominate South African vineyards [12], the shift towards noble grapes signifies a considerable investment on the part of growers, with establishment costs amounting to approximately R 70 000 [13] per hectare (in 2003) [14]. This is one of the reasons why a bigger percentage of noble cultivars are to be found on estate and private cellar farms. While co-operative cellars are still responsible for approximately 70 % of total production (i.e. volume), the estate/private cellar sector commands a bigger share of the high quality wine output. Producing more quality and adding value to it, remains the biggest single challenge of the co-operative wineries.

35 However, the rapid expansion of new plantings and the shift to noble cultivars are not being matched by the equally rapid adoption of new vineyard practices. In a study of 104 co-op farmers in 1997, only a minority reported that they had changed or adjusted their vineyard practices over the previous ten years (Ewert et al, 1998, p. 35) [15]. Four years on, the strategic study into the wine industry highlighted the inefficient transfer of know-how from research institution to the farm[16]. Especially in the co-operative sector the adoption of new practices and the training of workers is a major cause of concern.

36 But there are further problems. The unleashing of market forces among grape growers and the revival of the tendency to 'plant after the price' reintroduces important elements of instability. During the late 1990s, when red wine grapes were in short supply, farmers could command good prices for quality Shiraz and Cabernet Sauvignon grapes. As more and more farmers joined the bandwagon, prices dropped. Increasingly, growers of wine grapes are at the mercy those further downstream in the value chain. Though high margins will be possible for some, many growers will face tightening quality, "ethical"

and phytosanitary standards, increasing pressure on their margins and increasing levels of risk.

37 The second important dimension of change is local industry de- and re-regulation. In the 1990s, the South African wine industry entered a period of major flux. Political transition has removed the privileged status of the wine industry and farmers' lobbies. The measures that protected farmers from competitive pressures have been removed, and old alliances have been cracked by new opportunities and new markets. The wine grape commodity system is being restructured in complex and contradictory ways – with significant consequences for growers.

38 Firstly, traditional industry power relations are being reshaped by processes of globalization, deregulation and legislative change. Moves to amend liquor legislation have signalled to the producing wholesalers that their competitive stranglehold over retail would no longer be tolerated (Hoe SA Brou..., 1998, p. 79) – while the increasing importance of local supermarket wine retailing is causing a rethink in 'trade' strategy anyway. Consolidation in the international drinks industry – particularly through the merger of Grandmet and Guiness to form of industry giant Diageo – has called into question many of the historic arrangements around distribution rights for international liquor brands (Bet your Glass..., 2000, p. 30-32). South Africa's producing wholesalers, for many years the biggest frogs in a very small pond, are themselves increasingly vulnerable to international and local competitive pressure.

39 Two distinct trends seem to be taking shape. On the one hand, there are clear moves toward concentration and integration (e.g. the merger of Distillers and Stellenbosch Farmers Winery to form Distell, South Africa's second largest alcoholic beverage company, and the alliance between Stellenbosch Vineyards and Australian-based BRL Hardy). At the same time there is significant diversification, with an increase in the numbers of independent wine makers and cellars. Private cellars and independent labels are proliferating [17]. Their number has increased from 105 in 1998 to 185 in 2001 ; in 2002 alone 33 more cellars were registered (Alcoholic Beverage Review 2002). Some of these numbers are the result of estates de-listing, in order to have more freedom in the sourcing of grapes. Others represent co-operative cellars that have transformed themselves into private companies.

40 Since 1998, indeed, the number of co-operatives has fallen from 69 to 50. Of those that have 'disappeared' two have gone bankrupt [18], while the others have undergone mergers and/or changed into companies. If the survivors want to escape the more pessimistic scenario, more may be forced to pool their resources [19]. A study of 28 co-operative and former co-operative cellars showed that only five had retained their traditional co-operative status and structure. All others were in a process of transformation – with regard to both their internal and their external organization (Martin, p. 74 - 75).

41 The implications of these shifts are complex and uneven, but together they seem to signal an important shift in the power relations between growers, cellars and retailers. One particularly important development is the coming into being of a complex new internal market in both wine and grapes. With the development of new branded premium wines (e.g. 'Arniston Bay') that are not linked to particular vineyards, cellars that can produce premium wine according to desired specifications have a wider range of possible buyers for their products than before. Similarly there is a much more dynamic market for wine grapes. A part of both these markets are driven simply by quality and price, but many brand owners, cellars and growers also tend to prefer entering into medium-term

relationships in order to avoid uncertainty (Interviews with Distell staffers André Steyn, 27-11-2001 and Ernst Le Roux, 11-12-2001). Increasingly, staying in these relationships depends on the ability to produce grapes and/or wines that conform to precisely specified ‘quality’ and other standards.

42 The result is a complex and shifting new strategic terrain. Cellars are exploring a wide range of different routes through trial and error and incremental changes. Some co-ops have chosen to remain in a medium to long-term contractual relationship with domestic producing wholesalers, while others have embarked on their own marketing and sales. In the study referred to above (Martin), the co-ops in ‘evergreen’ contracts with wholesalers sold all their production on the domestic market, 70 % of which in bulk (i.e. non-value added). ‘Self-marketing’ co-operatives, on the other hand, were exporting an average of 5 % of their output [20]. Between 3 and 20 % of their domestic sales went directly into the retail market. Although small, they seem to have made some headway in their effort to gain more independence from the ‘trade’ (i.e. the wholesalers). Another important trend is specialisation : there are moves afoot in the industry to nudge the remaining co-operatives into the direction of increasing specialisation on a product basis (e.g. red wines) (Pers. Comm. Eben Archer, Department of Viticulture, University of Stellenbosch, 21-5-2003).

43 None of these shifts are easily accomplished. New and emerging sales strategies often require or presuppose organisational changes. The transition from co-operative to firm entails shifting power relations in grower-cellar relationships at district level, and brings power struggles between co-op management and growers that are not always easily resolved. It is often hard to ‘engineer’ the transition – particularly in a context where recalcitrant members can veto changes that challenge established practices.

44 The increasing pressure on farmers’ margins and their increasing levels of risk has important consequences for workers. Even in the relatively prosperous wine industry, many farmers are reacting angrily to the state’s attempts to intervene in ‘their’ affairs. Minimum wages in particular caused huge protests in certain quarters of the organized farming lobby (Ommekeer...2003 ; Minister.., 2003). Formal protest, however, is not farmers’ most significant response. Facing a sustained challenge to their power as employers, and feeling increasing competitive pressures, many farmers seem to be opting for the one measure that still is within their power : restructuring their businesses. Many seem to be resorting to casualization, externalization and contractualization [21], deepening an already segmented labour market and further deepening the divide between ‘winners’ and ‘losers’ [22].

45 In the first years after democratisation, evidence on employment trends seemed mixed. While the initial post-sanction years still recorded an increase in aggregate employment, this trend may have started to change in the late 1990s. In 1997, both industry figures and academic research recorded an increase over the previous four years. While industry figures cited a 7 % increase (SAWIS, 1998 ; 1994), a survey of 104 farms in 1997, revealed a 5 % rise in permanent employment. In 1997, farmers also estimated that ‘their’ permanent labour force would grow by an additional 3 % until the year 2002. The same estimate was made for casual labour (Ewert et al, 1998). The trends in wine were backed up by Agricultural Census figures (1996) which showed that the Western Cape, together with Mpumalanga, were the only provinces to show an increase in agricultural employment. The fact that agriculture in both provinces was inserted into the export sector played a major part.

46 Trends may have started shifting, however. The above mentioned survey was done in 1997, shortly after the restructuring of the co-operatives sector had begun in all earnest (i.e. in 1995-1996) and during a huge upsurge in new plantings. Four years later, however, another survey of 77 wine, fruit and vegetable farms in six districts of the Western Cape suggested an uneven but noticeable trend away from permanent farm employment (Du Toit et Ally, 2004). These trends were more pronounced on deciduous fruit growing farms, but they were still present on wine farms. Almost 60 % of farms in the survey (and more than 54 % of wine farms) had reduced the size of the permanent labour force in the previous 3 years, and on almost half (and 41 % of the wine farms sampled), management indicated plans to reduce permanent labour in future. For the most part, jobs were not being replaced by machines, but by casual labour, with strong shifts towards the use of labour contractors and casual workers, and a distinct trend towards the use of women workers (Du Toit et Ally, 2004, p. 15-16 ; Barrientos, 2001).

47 In addition, significant numbers of white farmers seemed to be walking away from the 'social responsibility' functions they have traditionally been held to have in terms of paternalist ideology. Key here was the withdrawal from the provision of housing to farm workers. Some 57 % of farmers reported having at least one empty house on the farm, with this figure reaching 83 % in some districts. Less than a quarter of respondents indicated that they planned to continue renovating existing housing stock, and almost a third of farmers (32 % of the whole sample, and 33 % of wine farmers) were considering abandoning their 'traditional' housing function altogether (Du Toit et Ally, 2004, p. 22).

48 The increasing employment of casual labour is paralleled by the rising introduction of mechanical grape harvesters [23]. Grape harvesters represent important advantages for farmers. Not only do they represent a significant reduction in labour costs - one machine may replace as many at 70 workers per 12 hour shift (Pers. Comm. Johan Botha, vineyard manager, Fairview Cellar, Paarl, 28-5-2003) - but they also offer important quality advantages, enabling farmers to harvest quickly when sugar levels are right, or at night to make sure grapes are cool. In 1995 a total of 95 machines were recorded for the whole industry. A year later this figure already stood at 144 - an increase of 52 %. In the 1997 survey of 104 farms, 36 % of producers made use of mechanical harvesters (Ewert et al, 1998). Diffusion may have slowed down, but there is no reason to believe that it has come to a halt [24].

49 Whether 'primary' or 'secondary' labour market, an important feature of both is their local nature, in a geographical and in a racial sense. The permanent labour force is almost exclusively coloured and predominantly male, with very few African workers gaining entry to the 'core' (Ewert and Hamman ; Du Toit and Ally, 2004, p. 12.). Most permanent workers have either grown up on the farm where they are employed or originate from the immediate vicinity of the workplace. More often than not, they are recruited through a network of relatives and friends already working on the farm. The 'internal labour market' is one of the reasons for the low presence of African workers in the permanent labour force. Other reasons are cultural and political. Farmers often cite their inability to communicate in Xhosa and possible friction between Africans and coloured workers as the main reasons for not employing more black workers. Another reason may be the perception that African workers are more militant and inclined towards unionisation. Studies show that this perception is not totally unwarranted. At cellars the presence of African workers is much stronger than at farm level. Here union density is relatively high [25].

50 The employment pattern is similar in the case of casual and contract workers. Although the female dependents of permanent (coloured) farm workers, women from neighbouring farms and nearby towns continue to form an important part of the casual labour force, African workers - both men and women – have an increasingly strong profile in this labour market. In some regions, especially close to Cape Town, teams of contract workers consist much more predominantly of Xhosa speakers (Ewert and Hamman ; Du Toit and Ally, 2004).

51 Increasing levels of casualization and externalisation have serious consequences for rural livelihoods. Asset poverty means that poor households in the new peri-urban settlements around Western Cape towns in the farming districts lack direct access to land and the other resources required for either household food production or independent entrepreneurial activity. Unemployment is rife, and in many regions and rural towns, livelihoods are cobbled together from state welfare grants and cash from seasonal and casual employment (Du Toit, 2004). In the rural Western Cape, that means farm work. The move off-farm does not end the dependence on the agro-food sector, and in the winelands, the eight week vintage period presents a crucial window for supplementing cash incomes. Women, young people and new migrants are particularly insecure in the search for work. On any given day, there are many more work seekers than the farmer needs. In scenes reminiscent of 'Grapes of Wrath' the farmer or his foreman can pick and choose amongst those clambering to get onto the lorry for a day's wages. Under these circumstances, casuals are unlikely candidates for unions – not as ordinary paid-up members, let alone the vanguard.

52 The big challenge : building trust and social capital

53 While the South African wine industry has changed considerably over the last decade or so, it needs to overcome a number of stiff challenges if it wants to sustain and improve on its recent success. There is a consensus in the industry on two things : one, that it won't survive as a commodity industry, and secondly, that its future lies in international markets. In other words, it needs to produce better quality wines and enhance its international competitiveness. Given these imperatives, it needs to improve on a number of things :

- Become more market-driven
- Production needs to become more terroir based
- Develop efficient supply chains
- Source capital
- Develop a volume capacity
- Build a change management capacity
- Develop its human resource and skills base
- Advance black empowerment
- Build trust and social capital

54 While this may appear as a disparate list of urgent 'things to do' the golden thread running through all of this is the need for innovation. Now Michael Porter argues that this can be had in one fell swoop if there is a 'cluster' in place (see note 3). Clusters, according to him, matter – even in the days of globalisation. Moreover '...enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, motivation – that distant rivals cannot match'. In today's world competitive advantage does not rest on inputs as such, but '...on making more productive use of inputs, which requires continuous innovation'.

55 Clusters are critical to competition, because they increase productivity, drive innovation and stimulate the formation of new businesses. At their best they 'promote competition and cooperation' and 'foster better coordination and trust (Porter, 1998, p. 79 - 80).

56 'Poor countries' Porter goes on to argue 'lack well-developed clusters, and compete with cheap labour and natural resources instead'.

57 This is not the case in South Africa. The South African wine industry neither lacks a cluster, nor is the latter under-developed. For years it has had nurseries for rootstock, firms that produce winemaking equipment [26], educational, research and trade organisations, advertising firms and institutions that exercise quality control.

58 The problem lies elsewhere. The cluster has been too inward looking and 'low trust'. For the most of its modern, 20 th century history the industry was oriented towards the domestic market, both unwilling and unable to compete internationally. Except for a very brief period in the 1980s, it was never cut off from new technology produced in the 'old world' wine countries of Europe. If there was a 'technological discontinuity', it was because the co-op cellars saw no need for new equipment. The existing technology, like the cluster as a whole, served them well in what was essentially a mass production market and uncritical domestic demand conditions. Production oriented and fixated on the local market, hardly anybody took notice of changing trends in overseas markets. Where growers wanted to introduce new varieties [27], for instance, the KWV used its legal powers and stepped in. Overconsolidation, groupthink, and government protection did the rest.

59 However, 'navel gazing' was not the only problem. Contrary to what the theory suggests, deep fault lines of distrust have run through the industry cluster over many years. Although from the outside the pre-1994 South African wine industry may look like an unholy alliance of white society, this is a somewhat oversimplified view. All these years there have been at least three lines of division : firstly, between the co-operative sector and the 'trade' (i.e. producing wholesalers). The latter never liked the minimum price per litre, arguing that it was artificially high. From the outset they agitated against it relentlessly. Secondly, between the co-operatives and the private cellars. Especially from the 1970s onwards the latter experienced KWV regulation as a constraint, preventing them from innovation in production and marketing. Thirdly, between white owners/ employers on the one hand and black employees on the other. Astoundingly as it may sound, no black employee progressed beyond the position of farm/cellar 'foreman' until recently. Even after a history of almost 350 years the South African wine industry did not have a single black manager or winemaker, let alone farm owner or businessman. Whether on the farm or in the cellar, relationships between employer and worker were defined by the peculiar nature of paternalism – authoritarian, contradictory, violent, and no genuine trust.

60 So, whilst the cluster did not dissipate after deregulation, it lacked some crucial ingredients, i.e. trust and coordination. Cut loose, many a coop cellar was in real danger of going under. It was because of this that remnants of the old establishment started to promote the idea of a 'strategy' for the industry. Thus was born 'Vision 2020' a strategic analysis of future 'options' for the industry. Its message was clear : South Africa needs to produce better quality wine if the industry is to survive in a fiercely competitive international market. 'Better quality' was defined as branded wine in the 'premium' and 'super premium' price categories.

61 Flowing directly from the recommendations of the study, the industry established a new institution, the 'South African Wine and Brandy Co.' (SAWB). It is a corporatist body ostensibly representing the main stakeholders in the industry, i.e. growers, cellars, labour and the 'trade'. Officially its brief is to help create an industry that is 'vibrant, united, non-racial and prosperous' (SAWB, 2003). The core objectives of its 'Wine Industry Plan' (WIP) are defined as 'competitiveness' 'equity' (i.e. 'empowerment') and 'sustainability'. If one takes the generous view, one could argue that the SAWB could fill the vacuum of coordination left by the 'anarchy' of radical deregulation. The pessimistic take is that it is still heavily staffed by representatives of the old establishment and hardly has the capacity to play the innovative role expected of it.

62 Whatever the view, in reality 'empowerment' has shifted right to the top of the SAWB's agenda. This is not least because the government has made it so. In terms of its own definition of 'empowerment' government expects all sectors and all firms in the South African economy to increase its share of black ownership and black participation in decisionmaking. The wine industry is no exception. As a result, the SAWB had to put matters like land reform and skills training on the back burner and produce a 'Black Economic Empowerment (BEE) Charter' for the industry.

63 Any such charter faces the challenge of balancing and reconciling numerous different agendas – not least being very different models of what 'Black economic empowerment' could be. The expectations of middle class Black South Africans who hope to buy into opportunities to share the profits of the industry will have to be balanced against the demands of those arguing that workers should be included in broad-based empowerment. This issue aside, the SAWB does not have much in the way of either 'carrots' or 'sticks' by which it can prod firms in the desired direction.

64 And that is not all. The SAWB's formidable task is not made any easier by the fact that the organisation itself has become a battleground. Members of the black empowerment lobby (consisting mainly of businessmen and unionists) at the SAWB have given notice that they want to restructure the body towards a 'more equitable' distribution of power. They may even withdraw co-operation until they have captured other 'commanding heights' of the industry. Should this be the case, it may in fact put on hold the more economic, technical and training dimensions of transformation.

65 The stand off at the SAWB highlights an unresolved problem of the South African wine industry even after ten years of change, viz. the lack of trust between the power holders and the 'historically disadvantaged'. For a decade the power question could be avoided, but now the history of the industry has caught up with it. Many of the industry's challenges will be more easily solved if the divisions of the past can be overcome and social capital be build instead. However, there is no route to social capital past empowerment.

66 While a kind of paralysis persists at the SAWB, farmers and cellars have to go on and make do. However, also at this level, the response is not straightforward. While some experience Black Economic Empowerment (BEE) as a 'nuisance' that distracts unnecessarily from the 'core business' of farming and winemaking, others have reacted more positively and even with enthusiasm. Generally speaking these are the co-operative cellars that have managed the whole transition more successfully and are commercially well placed. They view BEE as an opportunity to build trust and may have the additional benefit of a capital injection.

67 Those cellars that engage with BEE half-heartedly and with resentment, are the ones that have been struggling all along. In their view, BEE may just be the proverbial straw that breaks the camel's back. Poorly placed in the market and heavily indebted, they may not attract black empowerment partners anyway. Marginalised and with no help in sight from either government or the SAWB, they may find it hard to survive.

68 Over the last ten years the South African wine industry has made remarkable strides, given its closed, racialised, productionist history. Although more by trial and error than anything approximating a coherent 'strategy' South African wines have successfully penetrated international markets, including the all-important British one. Everywhere market share is growing. Spearheading the penetration are branded varietal wines in the lower and higher premium price category.

69 However, success has not come to everybody in equal measure. In fact, deregulation and internationalisation have created a situation of 'winners' and 'losers'. This is the result of an inward looking wine cluster which provided ample security and placed co-operative cellars on a mass production trajectory which many find difficult abandon.

70 It is mainly for this reason that the industry, after several years of neo-liberal laissez faire, decided to establish new institutions whose job it is to assist in the transformation. However, transformation in South Africa is not only a financial and technical affair. It is very much a political one as well. The state expects the wine industry to transform into the direction of 'black economic empowerment' (BEE). Where cellars are well placed financially and where BEE is approached in a positive spirit, this should not impede competitiveness. On the other hand, where BEE is done grudgingly and where the cellar is saddled with debt, they will not easily attract BEE partners. This will trigger sanctions and marginalize them further – to the point where no new age 'quality cluster' or industry institution will be able to save them.

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Wineland, march 2004

## NOTES

**1.**. Michael Porter (1998, p. 77-90) defines clusters as “geographic concentrations of interconnected companies and institutions in a particular field”.
**2.**. A huge co-op and regulator at the same time.
**3.**. For an example from the fruit farming regions, see A. du Toit, ‘2003.
**4.**. The South African beverage industry distinguishes ‘good wine’ into ‘Standard Price’ (SP), ‘Medium Price’(MP) and ‘High Price’(HP) categories. SP wine is essentially good wine of the lowest quality - that sold at or below production costs in the infamous *papsakke* (foil bags) and soft plastic bottles. MP wine is of slightly better quality and is often sold in two-litre box format, while HP wine is often broadly categorised as anything in a 750 ml glass bottle and/or with a cork (*Beverage Business Yearbook 2002* : p. 121-123). Increasingly, however, wine industry analysts follow Rabobank’s distinction of the wine market into ‘Basic’ ‘Premium’ ‘Super Premium’ ‘Ultra Premium’ and ‘Icon’ categories. These do not refer simply to price points but also to the markets in which these wines compete. ‘Basic’ wine, comprising some 50 % of the international wine market, is anonymous, with little or no linkage to vineyards or even countries. Premium wines comprise some 30 % of the wine market : they are usually of better quality, often retail through the supermarkets in the “value for money” market, and usually linked to distinct brand (rather than vineyard

or cellar) identities. Super premium wines comprise about 10 % of the wine market and sell on the basis of quality style and perceptions about their unique identity in the market. Ultra premium wines are of highly distinctive and individual quality, and are not marketed on a mass basis. Finally, Icon wines are those whose value is mainly linked to the act of purchasing them. (See Loubser, 2001).

**5.**. The situation is similar in the Netherlands, South Africa's second most important market in Europe. In the USA 45 % of all wine is sold in supermarkets. (Rachman, 1999, p. 107).

**6.**. 'KUMALA' is marketed by the British firm Western Wines and blended from wines sourced from a variety of Cape cellars.

**7.**. The most important pieces of legislation applicable to farm workers are: the Basic Conditions of Employment Act, 1998 ('the BCEA') ; the Occupational Health and Safety Act of 1993 ('OHSA') ; the Compensation for Occupational Injuries and Diseases Act of 1993 ('COIDA') ; the Labour Relations Act 66 of 1995 ('The LRA') ; the Employment Equity Act 55 of 1998 ('The EEA') ; the Skills Development Act and Skills Development Levies Act ('The SDA' and 'the SDLA'): the Extension of Security of Tenure Act 62 of 1997 ('ESTA') ; the Unemployment Insurance Act ('UIF'): the Sectoral Determination 8: Farm Worker Sector: the determination sets two categories of minimum wages, viz. R 800 p.m. or R 4.10 per hour (for those working 27 heures or less per week) in 'Areas A' and R 650 p.m. or R 3.33 per hour in 'Areas B'. The determination came into effect on the 1st of March 2003 and is valid until 29 February 2004. The rates may then be increased.

**8.**. Dismissals, for instance, are no longer simply a matter of farmers' prerogative. Statistics for the Commission for Conciliation, Mediation and Arbitration, Western Cape show that of the 4801 disputes heard by CCMA commissioners in Western Cape agriculture between November 1996 and October 2003, 67% were unfair dismissal disputes, followed by 'matters of mutual interest' (7,9%), 'unfair labour practices' (6,2%) and 'organisational rights' (3,5%). Statistics supplied by Anthea Edwards, CCMA head office, Johannesburg, 6 October 2003.

**9.**. Especially with regard to the UIF, the Extension of Security of Tenure Act (ESTA), EEA and the Sectoral Determination.

**10.**. Expression used by the first chairman of the KWV, when warning farmers that blindly 'planting after the price of grapes' would simply lead to yet another surplus.

**11.**. The percentage of new plantings may have been higher, were it not for conflicting signals coming from the market: in the mid- to late 1990s relatively high prices for grape juice concentrate and distilling wine were sustained, lulling some co-op managers and farmers into a false sense of security and slowing down the shift to noble cultivars. Towards the end of the decade, distilling wine prices dropped, driven down by cheap imports.

**12.**. In 2002 they still represented 28,6% of all plantings. (SAWIS, 2003).

**13.**. Approximately 6000 British Pound Sterling at the current exchange rate.

**14.**. Personal communication, Chris Keet, winemaker at 'Cordoba' winery, Somerset-West, 28.5.03. The figure does not include the cost of land. On average, acquiring one hectare of new land would add another R 120 000 to establishment costs.

**15.**. For instance, only 47% and 18% practiced trellising and 'canopy control' respectively.

**16.**. Personal communication, Prof. Leopold van Huyssteen, University of Stellenbosch, who wrote a working paper on the question of technology transfer for *Vision* 2020, 6 May 2001.

**17.**. In 2002 the structure of the industry was as follows : 4 501 primary producers (*i.e.* grape growers), 50 co-operative cellars, 92 estates, 185 private cellars, 8 producing wholesalers (Personal communication, Debbie Wait, SAWIS, 8.5.02).
**18.**. The cellars (without the farms of the former members) were snapped up by private investors as a bargain.
**19.**21. The marginal co-ops face a classical Catch-22 situation: if they don't succeed in making the transition in time, the best farmers may leave to become private growers. If the latter leave in significant numbers, it becomes ever more difficult for the co-op to produce better wine and weather the storm. The situation is putting the solidarity of the membership under enormous strain (see Chiffoleau,. *et al.*, 2002).
**20.**. One former co-operative, now company, exported as much as 50 % of its production.
**21.**. 'Casualization' refers to a reduction in the size of the permanent labour force and often an inversion of the ratio of permanent to casual workers. 'Contractualization' refers to re-employment under less favourable circumstances. Externalization refers to the rise of intermediaries like labour contractors and labour brokers.
**22.**. In the 20$^{th}$ century the labour market in the Cape wine industry has always been segmented in the sense of a division between permanent and seasonal labour.
**23.**. The reasons are economic and political. In some regions various crops (*e.g.* fruit and grapes) ripen simultaneously and harvesters are one way of addressing labour bottlenecks. In other regions the fear of unions is extra strong and farmers are using harvesters as a political weapon against possible organization.
**24.**. Farmers' political fears played a role in the introduction of harvesters in the period immediately after the 1994 election. When these proved to be unfounded, it may have reduced the rate of adoption. However, this is merely a hunch. To our knowledge no accurate diffusion studies were done after the mid-1990s.
**25.**. Important as it is, this may reflect the industrial organisation of the work process, rather than the racial composition of the labour force.
**26.**. It has to be said, however, that the more sophisticated, capital intensive technology has always been imported from France, Italy and Germany.
**27.**. Such attempts at innovation came mostly from people in the private sector cellar, hardly ever from co-op farmers. In the 1980s, the former increasingly ignored the law and in this way foreshadowed the transformation of the 1990s.

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## RÉSUMÉS

**Compétitivité mondiale et objectifs de la viti-viniculture au Cap (Afrique du Sud).** Depuis le milieu des années 1990, l'industrie viti-vinicole sud-africaine a connu une “triple transition” : celle de la dérégulation sectorielle locale, celle de l'internationalisation, et celle des politiques de démocratisation et de réforme juridique.Apparemment la filière a remarquablement bien répondu à ses nouveaux objectifs, mieux notablement dans le domaine des exportations où elle a gagné des parts de marché significatives sur les marchés européens. Ses ventes ont aussi crû aux États-Unis, en Extrême-Orient et ailleurs dans le monde.Cependant ces succès à l'exportation cachent une grande inégalité : d'une part se trouvent les viticulteurs, les caves et les grossistes qui sont capables de profiter des opportunités offertes par l'expansion internationale ; d'autre part il y a ceux qui ne peuvent rien. Dans cette dernière catégorie se trouvent la plupart des caves coopératives qui ont du mal à assurer la transition.Cet article estime que cela est principalement dû aux décennies de régulation et d'isolement international. De nombreuses coopératives manquent de compétitivité internationale, non parce qu'il n'y a pas de "groupemrnts (Clusters)" viticoles en Afrique du Sud dans le sens de la perspective utilisée par M. Porter, mais parce que le groupement viticole est un "trust" faible qui n'a pas de perspectives assez à long terme. Les nouvelles institutions ont été établies pour supporter les retardataires et les tirer dans une nouvelle direction. Cependant, comme un effet du passé politique de l'Afrique du Sud, les institutions elles-mêmes ont commencé à rivaliser entre elles ce qui a abouti à une certaine paralysie. Seront-elles capables de sortir de leur inertie pour sauver le secteur coopératif qui demeure encore ?

Over the last ten years or so, the South African wine industry has gone through a 'triple transition' involving local industry deregulation, internationalisation and the politics of democratisation and legal reform.On the surface the industry has responded remarkably well to these new challenges and opportunities, most notably in the export field where it has won a significant share in European markets. Sales are also growing in the USA, the Far East and further afield.However, export success hides a great unevenness in the industry : on the one hand there are those farmers, cellars and wholesalers who are able to profit from the opportunities offered by international expansion ; but on the other hand there are those who can't. Into the latter category fall mostly co-operative cellars who even today, ten years later, find it hard to make the transition.The paper argues that this is mainly due to decades of regulation and international isolation. Many wine co-operatives lack international competitiveness – not because there is no wine 'cluster' in South Africa, to use Michael Porter's perspective, but because the wine cluster is 'low trust' and has been inward looking for too long. New institutions have been set up to support the stragglers and nudge them into the 'right' direction. However, as a result of South Africa's political past the institutions themselves have become embattled and to some extent paralysed. Whether they will be able to shake off this inertia and save the co-op sector remains to be seen.

## INDEX

**Mots-clés :** Afrique du Sud, cave coopérative, cave viticole, démocratisation, dérégulation indudstrielle, développement international, industrie viticole, Province du Cap, réforme juridique, vignoble

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